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ECONOMIC ANALYSIS: TRANSPORTING PERSIAN GULF OIL VIA PIPE-
LINES AND THE SUEZ CANAL TO THE MEDITERRANEAN

1. BEGIN SUMMARY. THE CHEAPEST MEANS OF TRANSPORTING
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PERSIAN GULF OIL TO WESTERN MARKETS IS AROUND AFRICA IN
VERY LARGE CRUDE CARRIERS. PIPELINES AND THE SUEZ CANAL
EXIST AS ALTERNATIVES, BUT USE OF THEM HAS DWINDLED IN

RECENT YEARS BECAUSE THEIR RATES ARE SO HIGH. DESPITE
THIS, TWO NEW LINES HAVE JUST BEEN ADDED TO THREE OLDER
ONES. STRATEGIC AND POLITICAL FACTORS HAVE OUTWEIGHED

ECONOMIC CONSIDERATIONS.

2. A SHARP UPWARD JUMP IN TANKER RATES COULD MAKE SOME OF THE ALTERNATIVES TO THE CAPE ROUTE MORE ATTRACTIVE. HOW- EVER, SINCE ALL OF THEM OPERATING AT MAXIMUM CAPACITY COULD FURNISH WESTERN MARKETS WITH LESS THAN HALF THE PERSIAN GULF CRUDE BEING DEMANDED IN THE WEST, HEAVY RELIANCE ON TANKERS WILL CONTINUE UNDER FORESEEABLE CIRCUMSTANCES. END SUMMARY.

3. BEGIN TEXT. JANUARY 1977 SAW THE OPENING OF TWO NEW MIDDLE EAST PIPELINES (THE SUEZ-MEDITERRANEAN AND THE IRAQ-TURKEY) DESIGNED TO FACILITATE THE TRANSPORT OF CRUDE PETROLEUM FROM THE WORLD'S LARGEST PRODUCING AREA, THE PERSIAN GULF, TO THE MEDITERRANEAN FOR ONWARD SHIPMENT TO THE MAJOR CONSUMING COUNTRIES OF WESTERN EUROPE AND THE NORTH ATLANTIC. THE NEW LINES, TOGETHER WITH THE SUEZ CANAL AND THREE LINES CONSTRUCTED EARLIER, PROVIDE ALTERNATIVES TO SHIPMENT AROUND AFRICA IN VERY LARGE CRUDE CARRIERS (VLCCS).

4. THE FIVE MAJOR LINES CARRYING GULF CRUDE TO MEDITER- RANEAN TERMINALS ARE THE: SUEZ-MEDITERRANEAN LINE (SUMED); IRAQ-MEDITERRANEAN LINE; IRAQ-TURKEY LINE; TRANS-ARABIAN PIPELINE (TAPLINE); AND TRANS-ISRAEL PIPELINE (TIPLINE).

5. HUGE AND HIGHLY AUTOMATED VLCC TANKERS CAN TRANSPORT CRUDE AT VERY LOW PRICES--LOWER THAN PUTTING OIL THROUGH PIPELINES. FURTHERMORE, OVERBUILDING HAS RESULTED IN A

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TANKER GLUT THAT HAS DEPRESSED RATES EVEN FURTHER. ACCORDINGLY, THE REASONS WHY NEW PIPELINES HAVE BEEN BUILT AND SOME OF THE OLDER ONES ARE BEING MAINTAINED MUST BE SOUGHT IN AREAS OTHER THAN ECONOMICS.

6. THE SUEZ CANAL:

7. OPENED FOR INTERNATIONAL MARITIME TRANSPORT IN 1869, THE SUEZ CANAL DID NOT BECOME A MAJOR OIL ROUTE UNTIL AFTER WORLD WAR II, WHEN THE PERSIAN GULF FIELDS BECAME THE CHIEF SOURCE OF PETROLEUM FOR WESTERN EUROPE. THE CANAL'S IMPORTANCE BECAME SUCH THAT WHEN CLOSED IN 1956, THE LOSS OF CRUDE COMING VIA THIS ROUTE DISRUPTED THE ECONOMIES OF WEST EUROPEAN COUNTRIES FOR SEVERAL MONTHS. IN THE DECADE FOLLOWING THE CANAL'S REOPENING IN 1957,

APPROXIMATELY ONE-THIRD OF ALL CRUDE SHIPPED FROM THE PERSIAN GULF WAS TRANSPORTED VIA THE CANAL, AND NORTHBOUND OIL TANKERS ACCOUNTED FOR 75 PERCENT OF CANAL REVENUES.

AT THE SAME TIME, HOWEVER, PROGRESSIVELY LARGER TANKERS WERE BUILT AND INCREASING NUMBERS OF THEM WERE UNABLE TO CLEAR THE CANAL'S 38-FOOT PERMISSIBLE DRAFT. BY THE TIME OF THE 1967 CLOSURE, ENOUGH CRUDE WAS BEING TRANSPORTED AROUND SOUTHERN AFRICA THAT THE LOSS OF THE CANAL ROUTE MEANT FAR LESS THAN IT HAD IN 1956. TANKER RATES WENT UP, BUT WEST EUROPEAN CONSUMERS EXPERIENCED NO SERIOUS SHORTAGES.

8. THE CANAL WAS REOPENED IN 1974, BUT IN THE INTERIM PERIOD VLCCS HAD CAPTURED MOST OF THE OIL TRANSPORT MARKET. THE CANAL HAS NOT REGAINED ITS FORMER IMPORTANCE AS AN OIL ROUTE AND MAY EVEN LOSE SOME OF ITS PRESENT TRAFFIC NOW THAT THE SUEZ-MEDITERRANEAN (SUMED) PIPELINE HAS OPENED. AT CURRENT RATES, LOADED TANKERS TRANSITING THE CANAL PAY ABOUT DOLS 1.86 PER TON, WHICH TRANSLATES INTO 25 CENTS PER BARREL, ROUGHLY EQUAL TO SUMED BUT
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MINUS THE COSTS OF DISCHARGE AND LOADING. CRUDE NOW BEING TRANSPORTED VIA THE CANAL IS LIKELY TO BE CONSUMED IN COUNTRIES IN THE EASTERN MEDITERRANEAN SINCE THE MARKETS OF ITALY AND THOSE FARTHER WEST CAN BE SUPPLIED AT LOWER COST BY UTILIZING THE VLCCS GOING AROUND AFRICA.

9. DESPITE ITS RELATIVELY DECREASED IMPORTANCE AS A ROUTE FOR PERSIAN GULF CRUDE, THE CANAL IS CURRENTLY NETTING EGYPT MORE THAN DOLS 400 MILLION PER YEAR IN FOREIGN EXCHANGE. THE EGYPTIANS VIEW THE REOPENED CANAL AS A LEADING INDICATOR OF THEIR INTERNATIONAL PRESTIGE. THEY HAVE EVEN DEVELOPED PLANS TO ENLARGE IT ENOUGH TO PERMIT PASSAGE OF LOADED TANKERS OF UP TO 150,000 TONS. HOWEVER, MOST PROJECTIONS INDICATE THAT IT WOULD COST MORE TO DEEPEN, WIDEN, AND STRAIGHTEN THE CANAL THAN COULD BE RECOVERED IN INCREASED TRANSIT TOLLS.

10. IF PERSIAN GULF COUNTRIES BECAME SIGNIFICANT REFINING CENTERS AND EUROPEANS BOUGHT MORE OF THEIR OIL IN THE FORM OF REFINED PRODUCTS, THE VALUE OF THE CANAL AS A PETROLEUM ROUTE WOULD BE ENHANCED. PRODUCTS ARE NORMALLY SHIPPED ON TANKERS SMALL ENOUGH TO TRANSIT THE PRESENT CANAL.

11. SUEZ-MEDITERRANEAN LINE (SUMED):

12. IN THE EARLY 1960S, REALIZING THAT THE GROWING SIZE OF CRUDE CARRIERS WOULD MAKE THE SUEZ CANAL INCREASINGLY

OBSOLETE FOR THE LUCRATIVE CRUDE TRANSPORT BUSINESS, THE EGYPTIANS BEGAN PLANNING A PIPELINE ROUTE PARALLELING THE CANAL. THE JUNE 1967 WAR CAUSED THE PLANS TO BE SHELVED,

AND WHEN THEY WERE REACTIVATED, THE PIPELINE WAS DESIGNED TO MOVE CRUDE FROM JUST SOUTH OF SUEZ TO A POINT ON THE MEDITERRANEAN NEAR ALEXANDRIA. THE PIPELINE WAS INAUGURATED IN JANUARY 1977 WITH AN INITIAL CAPACITY OF 800,000 BARRELS PER DAY. THIS CAPACITY WILL BE DOUBLED
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LATER THIS YEAR WHEN A TWIN 42-INCH LINE IS OPENED.

13. THE ECONOMIC VIABILITY OF THE LINE, WHICH IS 50 PERCENT OWNED BY EGYPT AND THE REST BY KUWAIT, SAUDI ARABIA, QATAR, AND THE UNITED ARAB EMIRATES, HAS NOT BEEN DETERMINED. INDUSTRY SOURCES HAVE BEEN QUOTED AS SAYING THAT VLCC TANKER RATES WILL HAVE TO DOUBLE TO MAKE THE LINE COMPETITIVE. NEVERTHELESS, EXXON HAS CONTRACTED TO TRANSPORT 100,000-150,000 BARRELS PER DAY OVER A THREE-YEAR PERIOD AND MOBIL HAS AGREED TO MOVE 70,000-100,000 BARRELS PER DAY OVER A 10-YEAR PERIOD. OTHER CONDITIONS OF THE CONTRACTS--INCLUDING ANY PRODUCERS' PRICE INCENTIVE TO USE SUMED--HAVE NOT BEEN DISCLOSED. THE SAUDIS HAVE CONTRACTED FOR A PIPELINE TO BE CONSTRUCTED FROM THEIR PERSIAN GULF PRODUCING AREAS TO THE PORT OF YANBU ON THE RED SEA. THE OUTPUT OF THIS LINE, WHEN COMPLETED, COULD ALSO INCREASE THE VOLUME OF CRUDE GOING INTO SUMED.

14. PUBLISHED TRANSIT FEES ARE APPROXIMATELY 25 CENTS PER BARREL, INCLUDING A TANKER DEBALLASTING FEE. THE EGYPTIANS HAVE ANNOUNCED INITIAL PRICES FOR THE SAUDI LIGHT CRUDE TO BE LOADED AT ALEXANDRIA IN THE DOLS 12.80-12.90 RANGE F.O.B. THIS SHOULD MAKE LIGHT CRUDE TRANSPORTED VIA SUMED ROUGHLY COMPETITIVE AT CURRENT RATES WITH THAT SHIPPED VIA VLCC AROUND AFRICA AS FAR WEST AS ITALY.

15. IRAQ-MEDITERRANEAN LINE:

16. THIS LINE WAS ORIGINALLY CONSTRUCTED IN 1934 FROM THE KIRKUK FIELD IN IRAQ TO ITS CHIEF CONSUMER, THE BRITISH NAVAL BASE AT HAIFA, PALESTINE. AS KIRKUK PRODUCTION INCREASED, SUPPLEMENTARY PARALLEL LINES WERE ADDED FOR OCEAN TERMINALS IN BANIAS, SYRIA, AND TRIPOLI, LEBANON. THE HAIFA LINE, WHICH ORIGINALLY RAN ALMOST COMPLETELY THROUGH BRITISH-CONTROLLED TERRITORY, BECAME NON-OPERATIONAL AFTER THE ESTABLISHMENT OF ISRAEL.
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17. THE SYSTEM CONSISTS OF FOUR PIPELINES (TWO TO BANIAS AND TWO TO TRIPOLI) OTHER THAN THE HAIFA LINE, WITH A

TOTAL CAPACITY OF 1,100,000 BARRELS PER DAY. (NOTE: CAPACITY DEPENDS ON A NUMBER OF VARIABLES, INCLUDING LINE PRESSURE AND MAINTENANCE. A GOOD RULE OF THUMB FOR ASSESSING CAPACITY OF PIPELINES CARRYING MIDEAST CRUDE IS DIAMETER (IN INCHES) SQUARED AND MULTIPLIED BY A CONSTANT OF 500. THUS, A 30-INCH LINE SHOULD HAVE A DAILY CAPACITY OF ABOUT 450,000 BARRELS.) TRANSIT FEES DURING 1975 WERE 41 CENTS PER BARREL TO THE MEDITERRANEAN. THE ENTIRE FEE WENT TO SYRIA FOR THAT OIL TRANSPORTED TO BANIAS; FOR THAT SHIPPED TO TRIPOLI, 30 CENTS WENT TO SYRIA AND 11 CENTS TO LEBANON.

18. SYRIA REQUESTED THAT THE RATE BE INCREASED TO DOLS 1.19 PER BARREL IN 1975. IN EARLY 1976, AFTER NEGOTIATIONS COMPLICATED BY DIFFERING POSITIONS ON THE ARAB-ISRAELI CONFLICT AND SYRIA'S INVOLVEMENT IN THE LEBANESE CIVIL WAR HAD BROKEN DOWN, IRAQ CLOSED THE LINE. SYRIA WAS HURT BECAUSE IT LOST THE TRANSIT FEES AS WELL AS THE LOWER-THAN-WORLD-PRICED OIL; LEBANON WAS SIMILARLY HURT, HAVING LOST THE TRANSIT INCOME AND THE CHEAPER OIL WHICH WAS REFINED AT TRIPOLI AND HAD PROVIDED LEBANON WITH MORE THAN HALF ITS PETROLEUM PRODUCTS.

19. IRAQ WAS ALSO DAMAGED FINANCIALLY BY THE LOSS OF ITS MEDITERRANEAN OUTLET. PRIOR TO 1975, IRAQ HAD NO OTHER MARITIME OUTLET FOR ITS KIRKUK PRODUCTION. IN THAT YEAR THE IRAQIS STARTED SENDING THIS CRUDE TO THE PERSIAN GULF PORT OF FAO VIA ITS NEW TWO-WAY "STRATEGIC PIPELINE." THIS LINE HAS 20 PERCENT LESS CAPACITY THAN THE KIRKUK-MEDITERRANEAN LINE AND, THEREBY, REQUIRED A CUTBACK IN EXPORTS. ALSO, BECAUSE PETROLEUM EXPORTED AT THE PERSIAN GULF HAS A LOWER TRANSPORTATION DIFFERENTIAL THAN THAT

EXPORTED AT THE MEDITERRANEAN, IRAQ REALIZED A LOWER PRICE ON THIS OIL.

20. UNTIL IRAQI-SYRIAN RELATIONS BECOME MORE HARMONIOUS, IT IS UNLIKELY THAT THE IRAQ-MEDITERRANEAN LINE WILL BE REOPENED.

21. IRAQ-TURKEY LINE:

22. TO ADD FLEXIBILITY AND VOLUME TO ITS MEDITERRANEAN EXPORT MARKET AND BECAUSE OF CONTINUING PROBLEMS WITH SYRIA, IRAQ HAS CONSTRUCTED ANOTHER LINE--TO DORTYOL, TURKEY. THE NEW LINE SKIRTS SYRIAN TERRITORY AND IS

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PLAINLY BASED ON IRAQ'S DETERMINATION TO DIVERSIFY ITS TRANSPORTATION ALTERNATIVES.

23. IRAQ HAS ANNOUNCED THAT OIL EXPORTED FROM DORTYOL WILL COST 65 CENTS PER BARREL MORE THAN SIMILAR OIL EXPORTED FROM FAO ON THE PERSIAN GULF. HOWEVER, IRAQ HAS ALSO ANNOUNCED ITS INTENTION TO INCREASE PRODUCTION, I.E., SALES. ITS EXPORTS OF NORTH IRAQ CRUDE TO THE GULF ARE, AS NOTED, LIMITED, AND IT MUST AMORTIZE THE HIGH INITIAL CAPITAL COSTS OF THE NEW LINE. THESE FACTORS ALL LEAD TO THE CONCLUSION THAT IRAQ WILL ATTEMPT TO ADJUST THE ANNOUNCED PRICE FOR ITS MEDITERRANEAN EXPORTS TO ENABLE THEM TO UNDERCUT THE PRICE OF OTHER OIL COMING INTO THE MEDITERRANEAN, WHETHER VIA THE CAPE, THE SUEZ CANAL, SUMED,

OR FROM NORTH AFRICAN PRODUCERS. THIS WOULD, UNLESS CHECKED, EXERT DOWNWARD PRESSURES ON CRUDE PRICES IN THE MEDITERRANEAN BASIN. THE NET BACK REVENUE THAT THE IRAQI GOVERNMENT CAN EXPECT TO EARN PER BARREL, AFTER DISCOUNTING PIPELINE CAPITALIZATION AND OPERATING EXPENSES, WOULD BE REDUCED. WITH TODAY'S HIGH CRUDE PRICES AND LOW TRANSPORT RATES, HOWEVER, TRANSPORT COSTS ARE A SMALL FRACTION OF THE DELIVERED PRICE.

24. TRANS-ARABIAN PIPELINE (TAPLINE):

25. UNLIKE THE KIRKUK FIELDS OF NORTHERN IRAQ, THE PRODUCING FIELDS OF SAUDI ARABIA ARE LOCATED NEAR HARBORS WHERE CRUDE CAN EASILY BE LOADED ON SHIPS. NONETHELESS, TANKER ECONOMICS OF 1949, WHEN TAPLINE WENT INTO OPERATION, DETERMINED THAT SAUDI OIL COULD BE DELIVERED TO THE MEDITERRANEAN BASIN MORE CHEAPLY BY PIPE THAN BY TANKER TRANSPORT. TAPLINE WAS CONSTRUCTED AND IS OWNED BY ARAMCO, THE CONSORTIUM OF AMERICAN COMPANIES OPERATING IN SAUDI ARABIA. THE 1,000-MILE, 30-INCH PIPELINE, WHICH CROSSES THE ARABIAN PENINSULA, JORDAN, AND SYRIA (PARTLY THROUGH ISRAELI-HELD TERRITORY) AND TERMINATES AT SIDON, LEBANON, HAS A CAPACITY OF 470,000 BARRELS PER DAY.

26. TRANSIT FEES ARE NOT MADE PUBLIC BECAUSE THE SAUDI GOVERNMENT HAS REQUESTED ARAMCO TO HOLD THEM AS PROPRIETARY INFORMATION. HOWEVER, DURING THE LAST MONTH OF ANYTHING LIKE NORMAL OPERATION, OCTOBER 1974, SAUDI CRUDE AT TAPLINE'S MEDITERRANEAN TERMINAL WAS BEING INVOICED AT DOLS 1.356 PER BARREL OVER THE PRICE AT SAUDI ARABIA'S PERSIAN GULF RAS TANURA PORT. AS THE AMOUNT PASSING THROUGH THE PIPELINE DWINDLED, THE PER-BARREL COSTS AND CHARGES WENT UP AND THE LINE BECAME EVER MORE UNECONOMIC

WHEN COMPARED WITH TANKER TRANSPORT. FOR EXAMPLE, AT CURRENT RATES ON VLCCS, CRUDE CAN BE MOVED FROM RAS TANURA AROUND AFRICA TO GENOA AT 77 CENTS PER BARREL.

27. IN FEBRUARY 1975, FACED WITH MASSIVE LOSSES, TAPLINE ENDED ITS MEDITERRANEAN EXPORT OPERATION. ONLY A CRITICAL SHORTAGE OF TANKERS, WITH ACCORDINGLY BOOSTED TANKER RATES, WOULD MAKE EXPORT OPERATIONS THROUGH TAPLINE VIABLE AGAIN. TAPLINE CONTINUES, HOWEVER, TO SUPPLY JORDAN'S ZERQA REFINERY WITH ABOUT 25,000 BARRELS PER DAY AND LEBANON'S SIDON REFINERY WITH ABOUT 15,000 BARRELS PER DAY.
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28. TRANS-ISRAEL PIPELINE (TIPLINE):

29. THE 1967 CLOSURE OF THE SUEZ CANAL AND THE RESULTANT SURGE IN TANKER RATES STIMULATED INCREASED INTEREST IN PIPELINES. AS AN ALTERNATE TO THE CLOSED CANAL, THE ISRAELIS BUILT A 42-INCH, 160-MILE LINE FROM EILAT ON THE RED SEA TO ASHDOD ON THE MEDITERRANEAN. THE LINE WENT INTO OPERATION IN 1969, BOTH TO PROVIDE A SUFFICIENT SUPPLY OF CRUDE FOR ISRAELI PROCESSING AT THE NEW ASHDOD REFINERY AND TO SERVE EXPORT MARKETS. POLITICAL CONSIDERATIONS (THE ARAB BOYCOTT) DICTATED THAT THE ONLY PERSIAN GULF CRUDE GOING INTO THE LINE COME FROM IRAN. NONE OF IRAN'S CON-SORTIUM PARTNERS, ALL OF WHICH HAVE INTERESTS IN ARAB COUNTRIES, CAN OVERTLY USE THE PIPELINE, SO THE OIL IS OVERWHELMINGLY FROM THE NATIONAL IRANIAN OIL CO. ISRAELI LIFTINGS FROM SINAI FIELDS CAPTURED IN THE 1967 WAR (90,000-100,000 BARRELS PER DAY) WERE ALSO TRANSPORTED VIA TIPLINE UNTIL REVERSION OF THE FIELDS TO EGYPTIAN CONTROL IN EARLY 1976. BUYERS WERE INDEPENDENTS AND COUNTRIES OF THE EAST EUROPEAN BLOC, PRINCIPALLY ROMANIA, WHICH HAS SPECIAL ARRANGEMENTS WITH IRAN.

30. TIPLINE CAPACITY IS 900,000 BARRELS PER DAY. NO TRANSIT RATE HAS BEEN PUBLISHED.

31. TIPLINE'S MID-1976 THROUGHPUT WAS APPROXIMATELY 500,000 BARRELS PER DAY. OIL INDUSTRY PUBLICATIONS CURRENTLY REPORT THAT MUCH LESS OIL IS GOING THROUGH THE LINE; IMPROVED ROMANIAN-ARAB RELATIONS, THE REOPENED SUEZ CANAL, THE NEW SUMED LINE, AND CONTINUED DEPRESSED TANKER RATES HAVE MADE TIPLINE UNECONOMIC FOR EXPORT PURPOSES.

32. OUTLOOK AND CONCLUSIONS:

33. MONOPOLISTIC MANAGEMENT BY GOVERNMENT AND/OR INTERNA-
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TIONAL OIL COMPANIES IS FREQUENTLY BLAMED FOR PREVENTING NORMAL, COMPETITIVE MARKET FORCES FROM OPERATING IN THE PETROLEUM INDUSTRY. THIS CONTENTION, HOWEVER, DOES NOT APPLY TO THE INTERNATIONAL TRANSPORT SECTOR OF THE

INDUSTRY, WHERE COMPETITION IS STRONG AND ENTRY INTO THE MARKET IS RELATIVELY EASY. CURRENTLY, LARGE TANKERS, COMPETING WITH EACH OTHER AS WELL AS WITH PIPELINES, ARE TRANSPORTING CRUDE AT VERY LOW RATES (NEAR COST AND, SOMETIMES, BELOW COST) AND CAN UNDERCUT MOST OTHER FORMS OF COMPETITION.

34. CLEARLY, AT THE PRESENT TIME, THE USE OF MIDDLE EASTERN PIPELINES AND THE SUEZ CANAL FOR CARRYING CRUDE DESTINED FOR EUROPEAN AND AMERICAN MARKETS HAS VERY LIMITED ECONOMIC MERIT. SOME ECONOMIC ADVANTAGE MAY APPLY TO SALES DESTINED FOR GREECE AND THE EASTERN MEDITERRANEAN, AND EXISTING PIPELINES HAVE A CERTAIN RESIDUAL VALUE FOR DOMESTIC CONSUMPTION, PARTICULARLY IN ISRAEL AND TURKEY. IT IS POSSIBLE ALSO THAT SOME LINES, SUCH AS THE NEW ONE TO DORTYOL, MAY BE ABLE TO COMPETE IF SPECIAL PRICING ARRANGEMENTS ARE MADE. FINALLY, IF HARD CURRENCY REQUIREMENTS BECOME SUFFICIENTLY PRESSING, SOME COUNTRIES, SUCH AS ISRAEL AND EGYPT, COULD DECIDE TO CUT TRANSIT RATES SHARPLY AND OPERATE THE LINES FOR A LOCAL CURRENCY LOSS IF ENOUGH HARD CURRENCY TO MEET THEIR REQUIREMENTS COULD BE GENERATED IN THE PROCESS.

35. THE PIPELINES AND THE SUEZ CANAL PROVIDE AN INSURANCE OF SORTS TO CERTAIN MIDDLE EASTERN COUNTRIES. IRAQ'S NEW LINE IS INTENDED TO GIVE IT A MEDITERRANEAN OUTLET APART FROM SYRIA. SAUDI ARABIA (IN COMMON WITH OTHER GULF PRODUCERS) HAS EXPRESSED CONCERN ABOUT POSSIBLE BLOCKAGE OF THE STRAITS OF HORMOZ--TAPLINE COULD PROVIDE A PARTIAL SOLUTION SHOULD THIS HAPPEN. SUMED IS DESIGNED TO PROVIDE EGYPT WITH A CHANCE TO CAPTURE SOME LARGE TANKER TRADE.

IF, FOR ANY REASON, A SUDDEN SHORTAGE OF TANKERS WERE TO DEVELOP OR IF VLCCS WERE UNABLE TO USE THE ROUND-AFRICA ROUTE, THE CANAL AND PIPELINES COULD BECOME MUCH BUSIER THAN THEY ARE TODAY.

36. EVEN IF ALL MIDDLE EASTERN PIPELINES WERE OPERATING TO CAPACITY, HOWEVER, ONLY ABOUT 4 MILLION BARRELS OF

CRUDE COULD BE MOVED THROUGH THEM PER DAY. WITH THE SUEZ CANAL HANDLING A MAXIMUM OF ANOTHER 4 MILLION BARRELS PER DAY, THE TOTAL CAPACITY OF ALL CONDUITS WOULD BE LESS THAN ONE-HALF OF THE PERSIAN GULF'S NEARLY 17 MILLION BARRELS PER DAY PRESENTLY GOING TO WESTERN MARKETS. OF THE NEW LINES, SUMED WAS BUILT IN HOPES OF CAPTURING SOME OF THE CRUDE TRANSPORT REVENUES AND WILL BE USED IN CONJUNCTION WITH THE VLCCS. WHATEVER THE ORIGINAL PURPOSE OF THEIR CONSTRUCTION, UNDER CURRENT CONDITIONS THE ECONOMIC

UTILITY OF THE PIPELINES IS LESS THAN THEIR POLITICAL AND STRATEGIC IMPORTANCE. END TEXT.

37. BEGIN ANNEX. ROUTES FOR PERSIAN GULF OIL TO THE MEDITERRANEAN.

	YEAR OPENED	LENGTH (MILES)	DIAMETER (INCHES)	CAPACITY (BARRELS PER DAY)
TAPLINE	1949	1,000	30	470,000
IRAQ-MED.	1934	560	30,32	1,100,000
			16,12	
IRAQ-TURKEY	1977	613	40	700,000
TIPLINE	1969	160	42	900,000

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SUMED	1977	207	42	800,000
				LATER (1,600,000)
SUEZ CANAL	1869	102	--	---

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